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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IZ](#)

SUBJECT: MINISTER OF FINANCE EMPHASIZES BUDGET EXECUTION

REF: A. BAGHDAD 441

[1](#)B. BAGHDAD 26

Classified By: Economic Minister-Counselor Daniel Weygandt for reasons
1.4 (b) and (d).

[1](#)1. (C) Summary: Minister of Finance Bayan Jabr met with the Treasury Attache, Coordinator for the Economic Transition, and the NEA-I DAS on February 10. Senior MoF officials and the Central Bank Governor Shabibi were also in attendance. Minister Jabr emphasized the need to focus on budget execution now that the 2007 Budget has been approved by the Council of Representatives (CoR). He also discussed corruption and GOI approval of soft loans and corruption. End summary.

Focus on Budget Execution

[1](#)2. (C) The Minister of Finance said that now that the 2007 budget has been approved by the CoR (ref A) he would start a focused effort with ministers and the provincial councils on budget execution. Ambassador Carney, Coordinator for the Economic Transition, emphasized the need for both the Iraqi people and Coalition partners to see that the Iraqi government is taking its responsibilities seriously. Minister Jabr said that he had given orders on February 9 for a directive to be issued releasing 10 percent of the year's allocation on February 11. (Note: This release would likely take about a week to be enacted. End note.) The Minister also noted that ministries and provinces that do not spend their money in a timely manner will be subject to a mid-year review in which the money is reallocated, as stipulated in the 2007 budget law (ref B). Dr. Azez, senior advisor to the Minister of Finance and to Vice President Adel Abdul Mehdi, said that provinces unable to execute their budget due to security reasons would be assisted rather than punished.

Corruption

[1](#)3. (C) Ambassador Carney also raised the issue of corruption. Minister Jabr said that "we don't have a problem with corruption, we have a problem of the fear of accusations of corruption," which slowed down budget execution. Minister Jabr said that corruption was a problem in previous governments when the ministries were able to spend money without any accountability. Since the Jaafari government put into place a system where a high economic committee has oversight over expenditures above a threshold, and the Council of Ministers must approve any expenditure over 50 million dollars, "90 percent of the corruption is gone," he said. (Note: these threshold numbers are currently under review to assist in expediting budget execution. End note.) Dr. Azez recommended more support for the Board of Supreme Audit, noting that the Inspector Generals and the Commission

for Public Integrity were created without enough detail on the scope of their roles.

GOI Approval of Soft Loans

¶4. (C) A streamlined process for signing international loans was the one part of the 2007 budget law that was struck down by the CoR. Dr. Azez said the ongoing experience of trying to get the Japanese loans approved led to an effort by the Ministry of Finance to streamline the process of getting approval from the Council of Representatives, as stipulated by the constitution. "We limited the loan amount and offered to do quarterly reviews for the CoR," Dr. Azez said, "but they didn't understand and thought we were trying to take some of their authority." Instead the Ministry of Finance plans to submit requests to the CoR on a project by project basis.
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